

Governor Phil Murphy

ICYMI: AON Releases Recommended Rate Increases for State Health Benefits Plans for Plan Year 2026

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Actuary Recommends Double-Digit Increases for All Plans – 36.5% Increase for SHBP-LG, 29.7% Increase for SEHBP, and a 21.0% Increase for SHBP-State

TRENTON – AON, the actuary that services the various state health benefits plans, today released to the State Health Benefits Commission (SHBC) and the School Employees’ Health Benefits Commission (SEHBC) recommended rate increases for the three state-administered plans, recommending double-digit percentage increases for all three.

The largest recommended increase is in the Local Government (SHBP-LG) plan, where AON has called for a 36.5 percent increase in premiums. In the School Employees’ Health Benefits Program (SEHBP), AON has recommended a 29.7 percent increase. And in the State Health Benefits Program (SHBP-State), the recommended increase is 21.0 percent.

The recommended increases are driven by both prescription drug benefits costs and health care costs. Both have risen dramatically for all three plans:

	SHBP – Stat	SHBP – LG	SEHBP
Active	<p>Medical: 15.3%</p> <p>RX: 39.8%</p> <p>Total: 19.7%</p>	<p>Medical: 32.7%</p> <p>RX: 62.7%</p> <p>Total: 36.9%</p>	<p>Medical: 27.9%</p> <p>RX: 58.6%</p> <p>Total: 31.9%</p>



	SHBP – Stat	SHBP – LG	SEHBP
Early Retirees	<u>Medical:</u> 18.1% <u>RX:</u> 34.7% <u>Total:</u> 21.3%	<u>Medical:</u> 31.6% <u>RX:</u> 53.0% <u>Total:</u> 35.4%	<u>Medical:</u> 26.3% <u>RX:</u> 34.3% <u>Total:</u> 28.1%
Medicare Retirees	<u>Medical:</u> 44.5% <u>RX:</u> 23.1% <u>Total:</u> 29.7%	<u>Medical:</u> 48.7% <u>RX:</u> 30.8% <u>Total:</u> 37.2%	<u>Medical:</u> 36.9% <u>RX:</u> 20.1% <u>Total:</u> 25.8%
Total	<u>Medical:</u> 17.3% <u>RX:</u> 34.5% <u>Total:</u> 21.0%	<u>Medical:</u> 33.2% <u>RX:</u> 52.4% <u>Total:</u> 36.5%	<u>Medical:</u> 28.9% <u>RX:</u> 33.8% <u>Total:</u> 29.7%

Data Source: Aon Plan Year 2026 Rate Setting Recommendation Analysis

AON's analysis used medical and prescription drug claims data from January 1, 2024 through December 31, 2024, paid through March 31, 2025, to project future costs and necessary premium adjustments.

While this year's recommended increases are larger than in years past, the rise in benefits costs follows a trend seen over the past five years. Over that time period, premiums for the SHBP-LG have risen 115 percent, while the SEHBP has seen a 73.9 percent increase. The SHBP-State has seen premiums rise 67.3 percent during that time.

According to the analysis, the main drivers of the increases include:

- Adjustments for prior year losses, which occur when claims and expenses exceed projected premiums. The SHBP-State experienced losses totaling \$154 million in 2024, and \$232 million in 2025; SHBP-LG experienced losses of \$75 million and \$57 million; and SEHBP showed the most pronounced cost overruns – \$143 million in 2024 and \$254 million in 2025.
- Increased costs of medical services attributed to medical inflation, greater utilization of services, and a shift toward more complex or higher-cost care settings.
- Increased prescription drug costs due to inflation and the utilization of high-cost drugs including GLP-1 drugs such as Wegovy, Ozempic, Mounjaro, and Zepbound. Wegovy is now the top drug by spend across

all three programs, and GLP-1 medications consistently rank among the top 10 highest-cost drugs in SHBP-State, SHBP-LG, and SEHBP.

- “Anti-selection,” which accounts for employers with favorable risk leaving the SHBP-LG and the SEHBP, increasing costs to the plan.
- Replenishment of depleted cash flow reserve levels. Reserves remain in place to provide a buffer to manage cash flow or plan losses and are depleted when claims outpace premiums.
- For SHBP-LG, a 9.4% increase to pay back amounts borrowed, as permitted by P.L.2024, Chapter 86. Chapter 86 allowed the SHBP-LG to borrow money from the SHBP-State in order to cover shortfalls in the local government plan. The loan balance currently stands at \$150 million.

While inflationary trends in health care are persistent nationwide and have presented challenges in New Jersey and across the nation over the past several years, the annual cost increases experienced by the SHBP and SEHBP far outpace those seen in other public employee plans.

In 2023, the Division of Pensions and Benefits posted

[a study by AON \(https://www.nj.gov/treasury/pensions/documents/pdf/SONJ-Plan-Design-Comparison-Analysis-Memo-2023.pdf\)](https://www.nj.gov/treasury/pensions/documents/pdf/SONJ-Plan-Design-Comparison-Analysis-Memo-2023.pdf)

comparing New Jersey public plans with employer group peers and identifying distinguishing cost drivers, notably the relative richness of the SHBP and SEHBP plan designs and few utilization management requirements that would incentivize more cost-effective, while still high-quality, healthcare decisions by members.

This May, Treasury released a report entitled “

[Structural and Financial Challenges in the State Health Benefits Program for Local Government \(https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf\)](https://www.nj.gov/treasury/pensions/documents/pdf/Structural-Financial-Challenges-SHBP-LG.pdf)

” outlining the key factors responsible for the steep rise in premiums under the SHBP-LG, including the plan’s very high actuarial values, static plan design and governance structure, adverse selection, diminished participation, cost escalation, and potential solutions.

These rates remain recommendations until they are adopted by the SHBC and SEHBC.

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